

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 L-03 SP-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 H-03 PA-04 PRS-01 USIA-15 INT-08 DRC-01 EUR-25

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R 121300Z JUL 74

FM AMEMBASSY PORT AU PRINCE

TO SECSTATE WASHDC 8238

C O N F I D E N T I A L PORT AU PRINCE 1317

E.O. 11652: GDS

TAGS: EMIN, EFIN, EIND, HA

SUBJECT: ASSESSMENT OF INVESTMENT, TAXATION, AND EXPROPRIATION
TRENDS IN THE ALUMINUM/BAUXITE INDUSTRY

REF: STATE 145450

1. EMBASSY'S COMMENTS ON QUESTIONS SUBMITTED IN PARA 2 REFTEL FOLLOW. THIS INFORMATION DERIVED PRIMARILY FROM EMBOFF CONVERSATION WITH MANAGER OF REYNOLDS HAITIAN MINES, A SUBSIDIARY OF REYNOLDS METALS, AND SOLE BAUXITE EXTRACTOR IN HAITI.

2. (A) REYNOLDS OFFICIALS PREFER NOT TO COMMENT ON EXPANSION PLANS, ALTHOUGH THEY IMPLY WILLINGNESS TO INVEST IN EXPANSION AS QUID PRO QUO FOR SOFTER GOH STAND ON TAX INCREASES. HAITIAN BAUXITE HAS BEEN EXPORTED TRADITIONALLY TO U.S., ALTHOUGH COMPANY PLANS TO BEGIN SHIPPING TO GERMANY IN NEAR FUTURE. BOTH ARRANGEMENTS ARE INTRA-COMPANY TRANSACTIONS.

(B) GOH HAS PRESSED REYNOLDS TO EXPAND PRODUCTION FOR YEARS BUT THE COMPANY HAS RESISTED SUCH PRESSURE SO FAR. SOME EVIDENCE EXISTS THAT GOH HIGHLY UNSATISFIED WITH REYNOLDS' CONFIDENTIAL

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PERFORMANCE IN THIS RESPECT.

(C) EMBASSY UNAWARE OF GOH CONTACTS WITH GOVERNMENT OF JAMAICA OR OTHER IBA MEMBERS.

(D) ACCORDING TO REYNOLDS OFFICIALS, GOH HAS INFORMED THE COMPANY THAT IT INTENDS TO SEEK RENEGOTIATION OF EXPLOITATION CONTRACT BEFORE END OF CY 1974 TO PROVIDE FOR INCREASED GOH REVENUES. GOH IS EXPERIENCING PRESSURE ON ITS BALANCE OF PAYMENTS AND IN ADDITION NEEDS INCREASED GOVERNMENT REVENUE FOR DEVELOPMENT PURPOSES. NOR IS GOH IMMUNE TO EFFORTS BY RAW MATERIAL SUPPLIERS THROUGHOUT THE WORLD TO OBTAIN GREATER INCOME FROM EXPORTS OF NON-RENEWABLE RESOURCES. EMBASSY CONSIDERS THERE IS NO DOUBT THAT GOH IS DETERMINED TO EXACT SUBSTANTIALLY GREATER REVENUES FROM REYNOLDS' OPERATIONS. NEW CONTRACT WILL PROBABLY PROVIDE FOR SOME INCREASE IN RATE OF TAXATION AND SOME COMMITMENT FOR EXPANSION ON THE PART OF REYNOLDS, WITH A TRADE-OFF BETWEEN THE TWO FACTORS DURING THE NEGOTIATIONS. THE EMBASSY CONSIDERS IT HIGHLY UNLIKELY THAT THE GOH INTENDS TO TAKE ANY EXPROPRIATION/PARTICIPATION ACTION OR THAT IT WILL INSIST UPON FURTHER PROCESSING OF BAUXITE ORES WITHIN HAITI.

(C) THE REYNOLDS LOCAL MANAGER HAS NOT APPROACHED THE EMBASSY AT ALL AND SEEMED CONFIDENT, WHEN EMBOFF INITIATED DISCUSSIONS WITH HIM, THAT AN ARRANGEMENT CAN BE WORKED OUT WHICH WILL BE SATISFACTORY TO BOTH SIDES. ACCORDINGLY, EMBASSY RECOMMENDS THAT NO ACTION BE TAKEN AT THE MOMENT. THE SITUATION WILL BE WATCHED AND THE DEPARTMENT INFORMED IF ANY CHANGES OCCUR.

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